A Study On Implementation Of GST Upon Personnel Of Different Sectors of Kolkata.

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Abstract: The Goods and services tax is one of the biggest taxation reforms in India since 1947. The Goods and services tax bill also referred as constitution Bill, 2014 initiates a value-added tax to be implemented on a national level in India. GST first recommended by Kelkar Task Force in 2004. It's received the assent of President on 8th Sept. 2016. The GST Act was passed in Lok Sabha on 29th March 2017 and came into force with effect from 1st July 2017.GST is a destination based tax on consumption of goods and services. Since it is a comprehensive tax system, it subsumes all the states and central indirect taxes and unified economy into a seamless national market. So, in a nutshell, we can say only value addition will be taxed and the burden of the tax is to be borne by the final consumer. Destination-based tax means if goods are moving from origin to destination then tax will also move from origin to destination. i.e. tax will be accrued at the place of supply. It is a single indirect tax for the whole nation and makes India one unified common market. It would also enhance the position of India in both domestic as well as in the international market by ensuring 'Ease of Doing Business'. Authors have started this paper with the basic introduction and tried to highlight its objectives, opportunities, and challenges of GST. Through this paper, Firstly, it is to be studied whether GST is having a negative impact upon people belonging in different sectors of Kolkata such as corporate personnel, small businessman, banking personnel and professional i.e. whether GST is increasing the burden of tax liability or not. Secondly to put light on the reverse charge mechanism. Both primary and secondary data have been used for this research paper. For collecting primary data questionnaire method was used. Secondary data is collected from various books, published articles, journals and internet websites.

IndexTerms - GST, cascading effect, reverse charge mechanism, place of supply, tax liability.

1. Introduction:

The Goods and services tax is one of the biggest taxation reforms in India. The Goods and services tax bill also referred as constitution (one hundred and twenty-second amendment) Bill, 2014 initiates a value-added tax to be implemented on a national level in India. GST first recommended by Kelkar Task Force in 2004. It is constitution 101st Amendment and receive assent of President on 8thSept. 2016.GST is a destination based tax on consumption of goods and services. It is proposed to be levied at all stages right from manufacture up to the final consumption with credit of tax paid at previous stages available for set off. So, in a nutshell, we can say only value addition will be taxed and the burden of the tax is to be borne by the final consumer. Destination based tax means if goods are moving from origin to destination then tax will also move from origin to destination. i.e. tax will be accrued at the place of supply. The taxes which are subsumed under GST areCentral Excise Duty, Additional Excise Duty, Service Tax, Additional Custom duty known as countervailing duty, special additional duty of customs (Taxes Collected and levied by Central Government), VAT, Entry tax/ Octroi, central sales tax, Luxury tax, purchase tax, tax on lotteries etc. (Taxes Collected and levied by Central Government). It is a single indirect tax for the whole nation and makes India one unified common market. It would also enhance the position of India in both domestic as well as in the international market by ensuring 'Ease of Doing Business'. GST slabs are pegged at zero percent, 5%, 12%.,18%, 28%. There are four types of GST namely:
SGST- State GST, collected by Sate Government
CGST-Central GST, Collected by Central Government
IGST-Integrated GST, collected by Central Government
UTGST-Union Territory GST, collected by Union Territory.
The *major advantages* of GST implementation in India can be highlighted with the help of the following points:

1. With the introduction of GST tax payers services such as registration, payment, return etc. become online, which would make compliance easy and transparent.
2. It ensures uniformity in indirect tax rates and structure across the country.
3. Being a destination based tax it ensures minimal cascading of taxes, this helps in reduction of hidden cost of operating a business.
4. Reduction in transaction cost leads to an improved competitiveness for trade and industry.
5. It reduces the tax burden of the manufacturer because they not required to pay any roadblock penalty such as penalties in check posts, toll plazas etc. as a result price of consumer goods becomes lower.

2. Literature review:

Sl. no.	*Title of the paper*	*Author/s*	*Year of publication*	*Findings*
1	A research paper on goods and services tax(GST and its impact on Indian economy	Shilpa Dani	2017	Producers and consumers would get benefited from comprehensive coverage of tax credit set-off. GST has a positive impact on the Indian economy.
2	A comprehensive analysis of goods and services tax(GST) in India.	Nayyar and Singh	2018	It will remove all tax barrier between central and state government by providing a clear and transparent taxation system.
3	Goods and Services Tax- A Way Forward	Nitin Kumar	2014	Implementation of GST in India helps in removing economic distortion and encourage unbiased tax structure.
4	A study on GST implementation and its impact on Indian Industrial sectors	Thowseaf, M.Ayisha Millath	2016	GST mechanism is designed in such a way that is expected to generate a good amount of revenue for both the Central and State government. It will bring transparency in the collection procedure, benefiting both government and common people.
5	GST in India: A big leaping the Indirect Taxation System.	Vasanthagopal	2011	Different conflicting interest of various stakeholder with the implementation of GST.
6	Goods and Services Tax and its Impact on Indian Economy	Agarwal	2017	GST mechanism is designed in such a way that is expected to generate good amount of revenue for both Central and State government. It will bring transparency in collection procedure, benefiting both government and common people.

3. Objective of the study:

1) To study the impact of GST in different sectors of economy namely Corporate Personnel, Small Businessmen, Banking Sectors and Professional.
2) To throw a light on reverse charge mechanism.

4. Research Methodology:

Both *primary and secondary data* have been used for this research paper. For collecting primary data questionnaire method was used. Secondary data is collected from various books, published articles, journals and internet websites.

Sampling: Purposive and convenient sampling.

Time period of the study: September 2018 to November 2018.

Area of the study: Kolkata

Sample design: for this study data have been collected from 145 respondents of Kolkata. Data have been collected from persons of different categories such as Corporate Personnel, Small Businessmen, Banking Sectors and Professional. For each category approximately 40 respondents were taken, son all total there were 4 categories so 160 respondents. The questionnaire is given to the respondents with either yes or no. the reason for including representatives from a different class of the society to find out the impact of GST in different sectors of society.

Hypothesis:

Null Hypothesis (H0): GST has no significant impact on tax liability for Corporate Personnel, Small Businessmen, Banking Sectors and Professional.
Alternative Hypothesis (H1): GST has increased the burden of tax liability for Corporate Personnel, Small Businessmen, Banking Sectors and Professional.

5.0 Presentation **of Data, Analysis and Findings:**

5.1 *Table 1: Demographic profile of the respondents*

Demographic characteristic	*Class*	*Frequency*	*Percentage*
Gender	Male	91	63
	Female	54	37
	Total	**145**	**100**
Age (years)	25-35	36	25
	36-45	40	27
	46-55	33	23
	Above 55	36	25
	Total	**145**	**100**
Educational qualification	Graduate	43	30
	Post Graduate	66	45
	Professional	36	25
	Total	**145**	**100**
Occupation	Corporate personnel	36	25
	Small businessmen	40	27
	Banking sectors	33	23
	Professionals	36	25
	Total	**145**	**100**
Annual Income	Upto Rs.2,50,000	32	23
	Rs.2,50,001-5,00,000	39	26
	Rs.5,00,001-10,00,000	40	27
	Above Rs.10,00,0000	34	24
	Total	**145**	**100**

Table 2: For data collected (Response of people towards the question whether GST has increased the tax liability)

Categories of Respondents	Types of Respondents	Response Yes	Response No	Total
Category 1	Corporate personnel	12	15	27
Category 2	Small businessmen	37	8	45
Category 3	Banking sectors	16	16	32
Category 4	Professionals	22	19	41
	Total	**87**	**58**	**145**

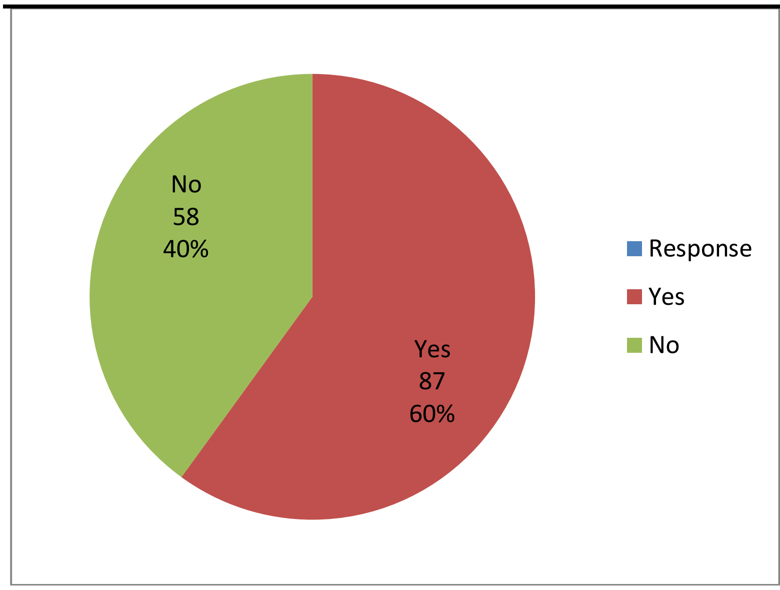


Chart-1

From Chart-1 it is observed that 60% of the respondents of all categories are in the opinion that GST has increased the tax burden while 40% think that GST has not increased the tax burden.

Now, if we go by each category wise it will be observed from table 2 that out of 45 small businessmen, 37 small businessmen i.e. almost 82% are of the opinion that GST has increased their tax burden. Whereas in other categories of respondents except for small businessmen the impact of GST regarding the burden of increasing the tax is equal i.e more or less 50% are saying GST has increased the burden. Only in the case of small businessmen, it is observed i.e. 82% is saying GST has increased the burden of the tax.

So, the majority of the respondents are in the view that GST has increased the tax burden. Now, to find out whether the difference in opinion is significant or not, Pearsonian chi-square test is being used in the study. Here both the variable is categorical in nature i.e types of respondents and whether GST has increased the liability or not so chi-square test has been used in our study.

Our test statistics is Chi-square with [(r-1) x (c-1)] = [(4-1) x (2-1)]= 3 degree of freedom.

Table 2- Table showing calculation of observed frequency:

Category Response Cross tabulation

			Response		Total
			Yes	No	
Category	1	Count	12	15	27
		Expected Count	16.2	10.8	27.0
	2	Count	37	8	45
		Expected Count	27.0	18.0	45.0
	3	Count	16	16	32
		Expected Count	19.2	12.8	32.0
	4	Count	22	19	41
		Expected Count	24.6	16.4	41.0
Total		Count	87	58	145
		Expected Count	87.0	58.0	145.0

Source- SPSS

Table 3: Calculation of $\chi 2$statistics

Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	14.002[a]	3	.003
Likelihood Ratio	14.977	3	.002
Linear-by-Linear Association	.427	1	.513
N of Valid Cases	145		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 10.80.

Source- SPSS

Here the value of chi-square is 14.002 at 3 degrees of freedom and at 3% level of significance. Since the level of significance is 3% (less than 5%)so the null hypothesis is rejected and the alternative hypothesis is accepted and therefore we can say that GST has increased the tax liability in different sectors of economy namely Corporate Personnel, Small Businessmen, Banking Sectors and Professional. In many cases may be directly the rate of goods or services has not been increased but due to the compliance of GST cost may be increased. Since GST is mostly a new concept so many companies especially the small businessmen are required to appoint GST practitioner to comply with the GST law. GST has a significant impact in the unorganized sector since many have to undergo registration under GST. If they don't undergo registration then the registered person will be unwilling to buy from them in some cases due to the reverse charge mechanism that has been discussed later in our study. So now because of registration, they have to comply with the provisions of the GST law. And since GST is a new thing many of them are not well cumbersome with the GST law i.e how to file GST return, how to claim credit etc. So GST directly or indirectly increases the cost for most of the respondents that we have taken in our study.

5.2 Reverse charge mechanism:

Normally under GST law, the supplier of goods or services are liable to collect tax on goods and services provide. But Central Government has the power to notify some categories through reverse charge mechanism under which the receiver of goods or services have to discharge the tax liability. Under the reverse charge mechanism, the receiver of goods and services becomes liable to pay tax i.e. the chargeability gets reversed. The concept of reverse charge mechanism was also there under service tax act but under service tax act it was only there on services. But now under GST the concept of reverse charge mechanism is there both on goods and well as services also. There is a threshold limit for turnover aggregating to Rs. 20 Lakh for registration for normal tax payers but under Reverse charge there is no such threshold limit.

Reverse charge mechanism is governed by section 9(3) and 9(4) of the CGST / SGST (UTGST) Act and section 5(3) and 5(4) of the IGST Act.

As per section 9(3) of the CGST Act, the government has notified some services and goods on which the service recipient and the buyer of goods will be liable to pay the GST. In table no 4 & 5 the details have been given.

Table 4- List of services in a nutshell that has been notified by Government to pay tax under RCM

SL. No.	Nature of service	Service Provider	Service Receiver
1	Any type of taxable service from non-taxable territory to taxable territory	Any person located from non-taxable territory	Any person located in taxable territory
2	Sponsorship services	Any person	Body corporate or partnership firm
3	Goods Transport Agency (GTA)	GTA	Registered Factory, Casual taxable person, Partnership person, body corporate, Co-operative society, Registered society, Registered person (under GST)
4	Recovery agent service	Recovery Agent	Banking company, financial institution, non-banking financial company
5	Services by director	Director	Company / Body Corporate
6	Insurance Agent Services	Insurance agent	Any person carrying on insurance business
7	Legal services by advocate	Individual adovate, advoccate firm	any business entity with a minimum turnover of Rs.20 lakhs
8	Services by arbitral Tribunal	Tribunal	Business entity
9	Services by Government or local authority	Central Govt., State Govt., Local Authority	Any type of business
10	Services by author, music composer, photographer, artist etc.	Author,music composer, photographer, artist etc	Company, publisher, producer.
11	Services of transportations of goods by vessel from outside India	Any person from outside territory	Importer as per Customs Act
12	Transportation of passengers by a radio-taxi, motor cab, maxi cab and motor cycle	Any person	E-Commerce Operator
13	Services for accommodation in hotel, guest houses, club for residential or lodging purposes	Any person except who is liable for registration under GST	E-Commerce Operator

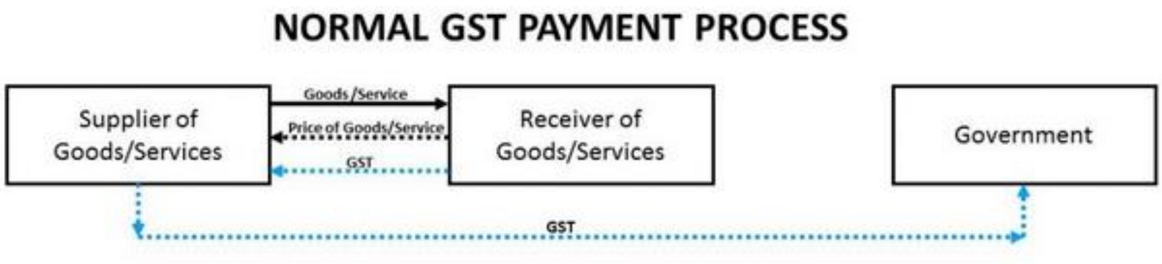
14	Services by way of house-keeping	Any person except who is liable for registration under GST	E-Commerce Operator

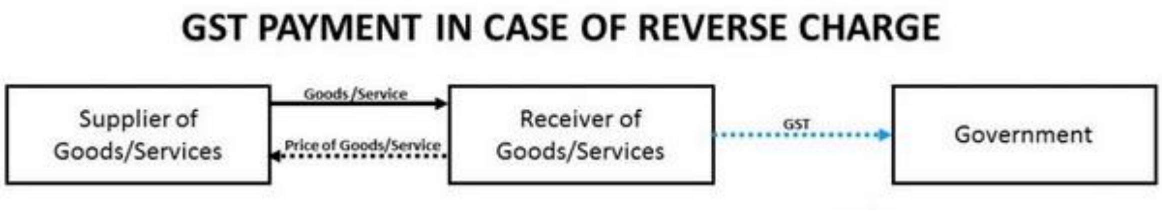
Table 5- List of services in a nutshell that has been notified by Government to pay tax under RCM

SL. No.	Nature of Goods	Service Provider	Service Receiver
1	Cashew nuts, bidi wrappertendu leaves, tobacco leaves,raw cotton	Agriculturist	Registered person
2	Silk yarn	Manufacturer	Registered person
3	Lottery	State Government, Union Territory, or any local authority	Lottery distributor or selling agent

As per section 9(4) in case of goods provisions of reverse charge mechanism will apply when an unregistered person is making the supply of taxable goods to registered persons. So, in this case, the receiver i.e. the registered person will be liable to pay the tax. However, this particular provision will apply only if the invoice value does exceed Rs. 5000/= on daily basis from the side of the recipient. So if a registered dealer buy goods from the unregistered dealer and the value exceed Rs. 5000 in a day then the registered dealer will have to pay the tax being the receiver of goods. So in a way, the main focus of the government is to make the dealers registered under the GST law. Otherwise, the unregistered dealers may lose their revenue as the registered dealers will stop buying from the unregistered dealers. In this case, self-invoice is necessary as the supplier being unregistered cannot issue a GST invoice so the buyer or receiver has to issue the invoice.

Input tax Credit under reverse charge- Recipient of service can avail the input tax credit in the tax amount that is paid under reverse charge. But input tax credit cannot be utilized for payment of output tax i.e it cannot be utilized against tax paid on forward charges. So the payment for tax under reverse charge can only be paid by cash ledger.





6. Conclusion

Unorganized sector plays a key role in the Indian Economy. But after the applicability of GST, they are having a tough time due to compliance with GST law. If the small businessman doesn't obtain registration they will be unable to get the benefit of the input tax credit, and thus they will face the problem of the burden of tax and they will not be able to pass the benefit to the final consumers of goods and services. On the other side of the coin, the Government is expected to have increased in revenue after the introduction of GST since it is more transparent tax reforms introduced in India. GST law by introducing the reverse charge mechanism has ensured proper tax compliance and more transparency in tax reforms. Also, there should be harmonization of State GST law with Central GST law so that 'one nation one tax' get materialize. Also, adequate training is necessary for taxpayers and tax enforcers.

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